

**Glenwood Municipal Utilities
Independent Auditors' Report
Basic Financial Statements and
Supplementary Information
Schedule of Findings**

**June 30, 2012
(With Comparative Totals for 2011)**

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**Glenwood Municipal Utilities
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Dean	Trustee/Chairperson	January 2017
Darrell Mayberry	Trustee	January 2015
Doug Meggison	Trustee	January 2013
Lonnie Mayberry	Trustee	January 2016
Dick Davis	Trustee	January 2018
Wendy Ensley	Secretary	Indefinite



Diane McGrain, CPA
Jim Menard, CPA

June 17, 2013

Independent Auditors' Report

To the Board of Trustees
Glenwood Municipal Utilities
Glenwood, IA 51534

We have audited the accompanying financial statements of the business type activities and each major fund of the Glenwood Municipal Utilities, a component unit of the City of Glenwood, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Glenwood Municipal Utilities management. Our responsibility is to express opinions on these financial statements based on our audit. The comparative totals for the year ended June 30, 2011 have been derived from June 30, 2011 audited financial statements, and in our report dated January 19, 2012, we expressed an unqualified opinion on these financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of the Glenwood Municipal Utilities at June 30, 2012, and the respective changes in its financial position and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated June 17, 2013, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Continued...

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June 17, 2013
Glenwood Municipal Utilities
Independent Auditors' Report

U.S. generally accepted accounting principles require Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7, and pages 19 through 20, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Information in Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U. S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedules 2, 3, and 4, relating to gallons pumped, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Schroer and Associates, P.C.

Glenwood Municipal Utilities

Management's Discussion and Analysis

Glenwood Municipal Utilities provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

Financial Highlights

- The Utilities' total water operating revenues increased \$62,773 from fiscal 2011 to fiscal 2012.
- The Utilities' total sewer operating revenues decreased \$23,286 from fiscal 2011 to fiscal 2012.
- The Utilities' total water operating expenses decreased \$95,412, from fiscal 2011 to fiscal 2012.
- The Utilities' total sewer operating expenses decreased \$53,801, from fiscal 2011 to fiscal 2012.
- The Utilities' water net assets increased \$471,280, from fiscal year end 2011 to fiscal year end 2012.
- The Utilities' sewer net assets increased \$717,437, from fiscal year end 2011 to fiscal year end 2012.
- The Utilities' water operating income increased \$158,185, from fiscal 2011 to fiscal 2012.
- The Utilities' sewer operating income increased \$30,515, from fiscal 2011 to fiscal 2012.

The increase in water operating revenues from fiscal year 2011 to 2012 was primarily a result of decreased spending on operating expenses in fiscal year 2012.

Using This Annual Report

The Glenwood Municipal Utilities presents its financial statements using accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Glenwood Municipal Utilities basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Statement of Net Assets presents information on the Utilities' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utilities operating revenues and expenses, non-operating revenues and expenses and whether the Utilities' financial position has improved or deteriorated as a result of the years activities.

The Statement of Cash Flows presents the change in the Utilities' cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utilities financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Financial Analysis of the Utilities

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utilities' financial position. The Utilities' net assets for fiscal 2012 totaled approximately \$11,135,675. This compares to \$9,946,958 for fiscal 2011. A summary of the Utilities' net assets is presented below.

	Net Assets	
	2012	June 30, 2011
Invested in capital assets, net of related debt	\$ 7,405,742	\$ 7,071,696
Restricted for: Customer Deposits	118,270	131,904
Unrestricted	1,244,212	375,907
Contributed Capital	<u>2,367,451</u>	<u>2,367,451</u>
Net Assets	\$ <u>11,135,675</u>	\$ <u>9,946,958</u>

The largest portion of the Utilities' net assets is invested in capital assets – (67 %, e.g., land, buildings, equipment and machinery). The next largest portion is unrestricted net assets - (21 %, e.g., with contributed capital) that can be used to meet the Utilities' obligations as they come due.

Budgetary Highlights

The disbursements anticipated in the budget compared to the actual disbursements was a negative variance of \$647,355 due to expenses incurred from flood prevention. The majority of the disbursements were reimbursed by grant funds.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for water and sewer sales and charges for services for customers attached to the appropriate systems including Glenwood, Pacific Junction and outlying areas. Operating expenses are expenses paid to operate the appropriate water and sewer systems and facilities. Non-operating revenues and expenses are for interest income and expense, rent, fees and penalties and parts sales. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011 is presented below:

	2012	2011
Operating Revenues		
Water sales	\$ 849,640	\$ 777,652
Sewer sales	1,071,032	1,068,548
Charges for services	37,017	72,002
Total operating revenues	1,957,689	1,918,202
Operating Expenses		
Salaries	401,551	432,442
Employee benefits	217,754	194,025
Contracted services	54,395	58,801
Utilities	144,900	160,281
Chemicals	48,582	97,775
Supplies	30,850	31,030
Computer expenses	9,964	524
Postage and freight	16,142	16,650
Insurance	41,456	49,044
Repairs and maintenance	94,826	146,416
Legal and accounting	14,218	6,029
Miscellaneous	12,764	5,323
Depreciation	767,265	793,372
Total operating expenses	1,854,667	2,003,880
Operating income (loss)	\$ 103,022	\$ (85,678)
Non-operating Revenues (Expenses)		
Interest income	3,335	4,616
Rent	43,364	15,391
Grant income	844,990	-
Flood damage prevention	(747,066)	-
Dedicated materials	892,267	68,150
Miscellaneous	8,540	8,149
Collection fees	11,355	10,200
Surcharges	2,416	2,559
Penalty charges	37,110	33,487
Gain on sale of assets	(15,750)	-
Merchandise and part sales	15,975	37,728
Cost of merchandise and parts	(10,841)	(26,764)
Net non-operating revenues (expenses)	1,085,695	153,516
Changes in net assets	\$ 1,188,717	\$ 67,838
Net assets, beginning of year	9,946,958	9,879,120
Net assets, end of year	\$ 11,135,675	\$ 9,946,958

The Statement of Revenues, Expenses and Changes in Net Assets reflects a flat year in operating revenues but with an increase in the net assets of approximately 12%. The utility decreased spending in operating expenses to increase net assets.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes water and sewer sales and assessments reduced by payments for operations and to suppliers. Cash provided by other investment income includes penalties, charges and rent payments.

Individual Major Fund Analysis

The net assets of the water fund increased \$471,280 to \$5,661,788, primarily due to dedicated materials and decreased spending in operating expenses.

The net assets of the sewer fund increased \$717,437 to \$5,473,887, primarily due to dedicated materials and decreased spending in operating expenses.

Capital Assets

At June 30, 2012, the Utilities had approximately \$7,405,700 invested in capital assets, net of accumulated depreciation of approximately \$20,565,000. Depreciation charges totaled approximately \$767,000 for fiscal year 2012. With the threat of flooding in the summer of 2011, the Utility was forced to make modifications to the treatment plant. More detailed information about the Utilities' capital assets is presented in Schedule 1 of the Audit Report.

Long-Term Debt

The Utilities had no long term debt at June 30, 2011 or 2012.

Economic Factors

Glenwood Municipal Utilities continued to improve its financial position during the current fiscal year. However, the current condition of the economy continues to be a concern for Utilities officials. Some of the realities that may potentially become challenges for the Utilities to meet are:

- Facilities of the Utilities require constant maintenance and upkeep with infrastructure.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain operational and efficient technology at a reasonable cost.
- Continuing the productive and efficient operations for the Utilities as well as the sound business decisions needed with an outlook to future demands and community betterment.

The Utilities anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Utilities ability to react to unknown issues.

Contacting the Utilities Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or financial information, contact Glenwood Municipal Utilities, 7 N. Vine St, Glenwood, Iowa.

Basic Financial Statements

Exhibit A

**Glenwood Municipal Utilities
Statement of Net Assets
June 30, 2012
(With Comparative Totals for 2011)**

	ASSETS		Total	Total
	Water	Sewer	2012	2011
Current Assets				
Unrestricted				
Cash	\$ 627,316	\$ 582,388	\$ 1,209,704	\$ 1,414,116
Investments	664,840	163,324	828,164	325,896
Accounts receivable	121,454	90,963	212,417	167,106
Grant receivable	98,289	-	98,289	-
Accounts receivable - other	4,882	3,722	8,604	17,443
Unbilled usage	44,283	43,322	87,605	73,762
Inventory	<u>32,372</u>	<u>20,342</u>	<u>52,714</u>	<u>63,433</u>
Total unrestricted current assets	1,593,436	904,061	2,497,497	2,061,756
Restricted				
Customer deposits	<u>118,270</u>	<u>-</u>	<u>118,270</u>	<u>131,904</u>
Total current assets	1,711,706	904,061	2,615,767	2,193,660
Property and Equipment				
Land	71,621	-	71,621	71,621
Buildings	2,049,772	6,297,216	8,346,988	8,200,262
Machinery	7,386,112	11,292,239	18,678,351	17,776,479
Equipment	<u>350,723</u>	<u>522,913</u>	<u>873,636</u>	<u>873,636</u>
	9,858,228	18,112,368	27,970,596	26,921,998
Less accumulated depreciation	<u>6,020,966</u>	<u>14,543,888</u>	<u>20,564,854</u>	<u>19,850,302</u>
Total property and equipment	3,837,262	3,568,480	7,405,742	7,071,696
Other Assets				
Construction in progress	<u>324,437</u>	<u>1,071,352</u>	<u>1,395,789</u>	<u>1,154,560</u>
Total assets	<u>\$ 5,873,405</u>	<u>\$ 5,543,893</u>	<u>\$ 11,417,298</u>	<u>\$ 10,419,916</u>

Exhibit A
Continued

Glenwood Municipal Utilities
Statement of Net Assets
June 30, 2012
(With Comparative Totals for 2011)

LIABILITIES AND NET ASSETS				
	Water	Sewer	Total 2012	Total 2011
Current Liabilities				
Payable from unrestricted current assets:				
Accounts payable	\$ 58,728	\$ 62,939	\$ 121,667	\$ 274,813
Recycling fees payable - City of Glenwood	3,458	-	3,458	5,588
Sewer fees payable - City of Pacific Junction	5,143	-	5,143	13,912
Sales tax payable	3,610	3	3,613	5,542
Implicit OPEB liability	6,915	6,914	13,829	5,860
Accrued wages and vacation payable	<u>15,493</u>	<u>150</u>	<u>15,643</u>	<u>35,339</u>
Total payables from unrestricted current assets	93,347	70,006	163,353	341,054
Payable from restricted current assets:				
Customer deposits	<u>118,270</u>	<u>-</u>	<u>118,270</u>	<u>131,904</u>
Total liabilities	211,617	70,006	281,623	472,958
Net Assets				
Invested in capital assets, net of related debt	3,837,262	3,568,480	7,405,742	7,071,696
Restricted for:				
Customer deposits	118,270	-	118,270	131,904
Unrestricted	1,706,256	(462,044)	1,244,212	375,907
Contributed Capital	<u>-</u>	<u>2,367,451</u>	<u>2,367,451</u>	<u>2,367,451</u>
Total net assets	<u>5,661,788</u>	<u>5,473,887</u>	<u>11,135,675</u>	<u>9,946,958</u>
Total liabilities and net assets	<u>\$ 5,873,405</u>	<u>\$ 5,543,893</u>	<u>\$ 11,417,298</u>	<u>\$ 10,419,916</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

	Water	Sewer	Total 2012	Total 2011
Operating Revenues				
Water sales	\$ 849,640	\$ -	\$ 849,640	\$ 777,652
Sewer sales	-	1,071,032	1,071,032	1,068,548
Charges for services	18,737	18,280	37,017	72,002
Total operating revenues	868,377	1,089,312	1,957,689	1,918,202
Operating Expenses				
Salaries	179,196	222,355	401,551	432,442
Employee benefits	90,646	127,108	217,754	194,025
Contracted services	30,936	23,459	54,395	58,801
Utilities	71,669	73,231	144,900	160,281
Chemicals	45,729	2,853	48,582	97,775
Supplies	17,999	12,851	30,850	43,198
Computer expenses	5,278	4,686	9,964	524
Postage and freight	8,078	8,064	16,142	16,650
Insurance	19,814	21,642	41,456	49,044
Repairs and maintenance	71,079	23,747	94,826	146,416
Legal and accounting	7,109	7,109	14,218	6,029
Miscellaneous	6,556	6,208	12,764	5,323
Depreciation	299,897	467,368	767,265	793,372
Total operating expenses	853,986	1,000,681	1,854,667	2,003,880
Operating income (loss)	14,391	88,631	103,022	(85,678)
Non-operating revenues (expenses)				
Interest income	1,769	1,566	3,335	4,616
Rent	39,802	3,562	43,364	15,391
Grant income	725,167	119,823	844,990	-
Flood damage prevention	(743,865)	(3,201)	(747,066)	-
Dedicated materials	393,242	499,025	892,267	68,150
Miscellaneous	6,793	1,747	8,540	8,149
Collection fees	11,355	-	11,355	10,200
Surcharges	2,416	-	2,416	2,559
Penalty charges	17,464	19,646	37,110	33,487
Loss on disposal of assets	(2,038)	(13,712)	(15,750)	-
Merchandise and part sales	14,517	1,458	15,975	37,728
Cost of merchandise and parts	(9,733)	(1,108)	(10,841)	(26,764)
Net non-operating revenues (expenses)	456,889	628,806	1,085,695	153,516
Change in net assets	471,280	717,437	1,188,717	67,838
Net assets, beginning of year	5,190,508	4,756,450	9,946,958	9,879,120
Net assets, end of year	<u>\$ 5,661,788</u>	<u>\$ 5,473,887</u>	<u>\$ 11,135,675</u>	<u>\$ 9,946,958</u>

See accompanying notes to financial statements

Exhibit C

**Glenwood Municipal Utilities
Statement of Cash Flows
For the Year Ended June 30, 2012
(With Comparative Totals for 2011)**

	Water	Sewer	Total 2012	Total 2011
Cash Flows From Operating Activities:				
Cash received from customers	\$ 813,295	\$ 1,091,886	\$ 1,905,181	\$ 1,885,751
Cash payments for goods and services	(281,875)	(201,868)	(483,743)	(613,986)
Cash payments to employees	(417,175)	(349,157)	(766,332)	(488,653)
Net cash provided by operating activities	114,245	540,861	655,106	783,112
Cash Flows From Capital and Related Financial Activities:				
Capital assets acquired with grants	(119,823)	(119,823)	(239,646)	-
Acquisition and construction of capital assets	(51,035)	(175,342)	(226,377)	(1,385,746)
Net cash used for capital and related financing activities	(170,858)	(295,165)	(466,023)	(1,385,746)
Cash Flows From Investing Activities:				
Interest received on investments	1,769	1,566	3,335	4,616
Investment proceeds	-	-	-	635,664
Investments purchased and reinvested interest	(500,945)	(1,323)	(502,268)	(2,933)
Grants received	626,878	119,823	746,701	-
Expenses paid with grants	(743,865)	(3,201)	(747,066)	-
Other nonoperating income received	80,576	11,593	92,169	80,746
Net cash provided (used by) investing activities	(535,587)	128,458	(407,129)	718,093
Net change in cash	(592,200)	374,154	(218,046)	115,459
Cash, Beginning of Year	1,337,786	208,234	1,546,020	1,430,561
Cash, End of Year	<u>\$ 745,586</u>	<u>\$ 582,388</u>	<u>\$ 1,327,974</u>	<u>\$ 1,546,020</u>
Cash Consists of the Following Amounts:				
Unrestricted:				
Cash	\$ 627,316	\$ 582,388	1,209,704	\$ 1,414,116
Restricted:				
Customer deposits	118,270	-	118,270	131,904
	<u>\$ 745,586</u>	<u>\$ 582,388</u>	<u>\$ 1,327,974</u>	<u>\$ 1,546,020</u>

Exhibit C
Continued

Glenwood Municipal Utilities
Statements of Cash Flows
For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

	<u>Water</u>	<u>Sewer</u>	<u>Total 2012</u>	<u>Total 2011</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 14,391	\$ 88,631	\$ 103,022	\$ (85,678)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	299,897	467,368	767,265	793,372
Loss on disposal of equipment	2,038	13,712	15,750	-
Net (increase) decrease in:				
Accounts receivable	(28,402)	(8,070)	(36,472)	(24,505)
Unbilled usage	(15,084)	1,241	(13,843)	(3,671)
Inventories	8,831	1,888	10,719	(6,256)
Net increase (decrease) in:				
Accounts payable	(141,061)	(22,984)	(164,045)	101,103
Accrued wages and vacation payable	(12,033)	306	(11,727)	12,481
Sales tax payable	(698)	(1,231)	(1,929)	541
Customer deposits	(13,634)	-	(13,634)	(4,275)
 Net cash provided by operating activities	 <u>\$ 114,245</u>	 <u>\$ 540,861</u>	 <u>\$ 655,106</u>	 <u>\$ 783,112</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2012 and 2011

NOTE 1 Summary of Significant Accounting Policies

The Glenwood Municipal Utilities is a municipal utility. The utility produces and distributes water and provides sewer services to the residents of Glenwood, Pacific Junction and nearby rural areas.

Glenwood Municipal Utilities is a component unit of the City of Glenwood. The Utility is legally separate from the City but is financially accountable to the City. The Utility is governed by a five-member board appointed by the Mayor subject to approval by the City Council, and the Utilities' budget is approved by the City Council.

The Utilities' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Glenwood Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility Board are such that exclusion would cause the Utility Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utility Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utility Board. Glenwood Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Glenwood Municipal Utilities are organized as Enterprise Funds. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fund Financial Statements – Major individual enterprise funds are reported as separate columns in the fund financial statements. The Utilities' major enterprise funds reported are sewer and water.

Measurement Focus and Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2012 and 2011**

NOTE 1 Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

Measurement Focus and Basis of Accounting - Continued

The Utility Board applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. Water and sewer revenues are based on billing rates that are applied to customers' accounts based on their consumption of water. The Glenwood Municipal Utilities records estimated unbilled revenues at the end of accounting periods. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – The Glenwood Municipal Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, have a maturity date no longer than three months.

Investments – Investments are stated at cost, which approximates market value.

Customer Accounts and Unbilled Usage - Accounts receivable are recorded at the time the service is billed and are presented at their net realizable value. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventory – Materials and supplies are valued at the lower of cost or market using the first-in/first-out method and inventories are expensed as they are consumed.

Dedicated Materials – When the Utility has construction projects in the service area typically the tenant or contractor is responsible for the cost of the development. However, when the development is finished the maintenance and upkeep of those service lines and equipment are the responsibility of the Utility. Therefore, ownership of those lines is typically transferred to the Utility. The value of those lines and equipment are determined by the Utilities engineer based on costs at the time of dedication.

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2012 and 2011

NOTE 1 Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Net Investments - Continued

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Capital assets are defined by the Utilities Board as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Water towers and system	2,000
Sewer system	2,000
Equipment	2,000
Vehicles	2,000

Capital assets of the Utility Board are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Water towers	40 years
Buildings	30 years
Water mains and hydrants	30 Years
Sewer system	30 Years
Equipment	5-10 years
Vehicles	7 years

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amended budgeted amounts.

NOTE 2 Cash and Investments

The Utility Board's deposits in banks at June 30, 2012 and 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2012 and 2011

NOTE 2 Cash and Investments - Continued

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

Interest rate risk

The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utility.

NOTE 3 Restricted Assets

Restricted assets represent monies set aside for customer deposits.

<u>Water:</u>	<u>Balance</u> <u>06-30-11</u>	<u>Net</u> <u>Change</u>	<u>Balance</u> <u>06-30-12</u>
Customer Deposits	\$ 131,179	\$ (12,909)	\$ 118,270

NOTE 4 Pension and Retirement Benefits

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Department is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2012 and 2011, were approximately \$33,700 and \$29,800, respectively, equal to the required contributions for each year.

NOTE 5 Compensated Absences

Glenwood Municipal Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use, or for payment upon termination, retirement or death. The accumulated liability for accrued vacation totaled approximately \$15,500 and \$16,300 as of June 30, 2012 and 2011, respectively. This liability has been computed based on rates of pay as of the end of the fiscal year.

Sick leave may be accumulated up to 100 days. The Glenwood Municipal Utilities has a policy that sick leave is lost upon termination, retirement or death. Therefore, these accumulations are not recognized as expenditures until used or paid.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2012 and 2011**

NOTE 6 Reciprocal Services with its Primary Government

The Utility and the City of Glenwood have an arrangement in which the City provides office space to the Utilities at no cost and the Utilities provides water and sewer to all City owned and operated facilities at no cost. In addition, the Utilities invoice and collect for recycling fees and remit all monies received to the City.

NOTE 7 Risk Management

Glenwood Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Municipal Utility assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 Supplemental Cash Flow Information

The Utility received dedicated materials in the fiscal years ended June 30, 2012 and 2011 of \$892,267 and \$68,150 respectively. The most significant materials were water and sewer lines placed in service along 190th Street. These amounts are not reflected in the statement of cash flows.

NOTE 9 Reclassifications

Some prior year income and expense items have been reclassified in the prior year to conform with current year classifications.

NOTE 10 Construction in Progress

The water plant and sewer plant had several projects started for the years ended June 30, 2012 and 2011 with costs totaling \$324,437 and \$1,071,352, respectively, which are reported as construction in progress. Contracts with future commitments are listed below.

	Estimated Contract Amount	Incurred to Date	Remaining Commitment	Retainage Payable
PJ Sewer Lift Station				
Engineering	\$ 244,597	241,959	2,638	-
Construction	44,482	43,890	592	12,036

NOTE 11 Other Postemployment Benefits (OPEB)

Plan description – The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 9 active members and one retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2012 and 2011**

NOTE 11 Other Postemployment Benefits (OPEB) - Continued

Funding policy – The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$678 for single coverage and \$1,695 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, there were no plan members eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation – The Utilities annual OPEB cost is a calculation based on the annual required contribution (ARC) of the Utility, an amount determined under the alternative measurement method in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Utility's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 13,200
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>13,200</u>
Contributions made	<u>5,231</u>
Increase in net OPEB obligation	7,969
Net OPEB obligation, beginning of year	<u>5,860</u>
Net OPEB obligation, end of year	<u>\$ 13,829</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District made an implicit contribution of \$5,231 to the medical plan. Plan members eligible for benefits did not contribute to the premium costs.

NOTE 12 Flood Prevention Expenses

Included in other income and expenses are costs incurred to prepare for the flooding of the Missouri River. The utility constructed a levy surrounding the sewer and water plant. The levy was subsequently removed. Also included in other income and expenses are reimbursements for a portion of those costs from FEMA and the State of Iowa. Cash flows from these costs and reimbursements are included in cash flows from investing activities. Total expenses incurred at June 30, 2012 were \$747,066. Total reimbursements from FEMA and the State of Iowa totaled \$605,345. Total receivables at June 30, 2012 were \$98,289.

Required Supplementary Information

Glenwood Municipal Utilities
Budgetary Comparison Schedule of
Revenues and Expenditures – Actual to Budget
Required Supplementary Information
Year Ended June 30, 2012

	Actual 2012	Budget	Final Budget to Actual Variance
Revenues:			
Water sales	\$ 849,640	\$ 841,200	\$ 8,440
Sewer sales	1,071,032	1,055,500	15,532
Charges for service	37,017	30,350	6,667
Interest	3,335	3,250	85
Rent	43,364	29,303	14,061
Dedicated materials	892,267	400	891,867
Grant income	844,990	-	844,990
Loss on disposal of assets	(15,750)	-	(15,750)
Merchandise and parts sales	15,975	14,850	1,125
Other	59,421	32,085	27,336
Total revenues	3,801,291	2,006,938	1,794,353
Expenditures:			
Production Expense:			
Fixed costs	846,217	814,353	(31,864)
Variable costs	8,411	12,000	3,589
Supplies	14,210	15,000	790
Chemicals and freight	48,581	72,100	23,519
Maintenance and repairs	44,042	63,000	18,958
Total production expense	961,461	976,453	14,992
Distribution Expense:			
Fixed costs	572,042	566,063	(5,979)
Variable costs	14,311	18,475	4,164
Supplies	7,626	8,800	1,174
Maintenance and repairs	61,873	99,350	37,477
Total distribution expense	655,852	692,688	36,836
Administrative:			
Fixed costs	177,751	179,178	1,427
Variable costs	54,367	80,750	26,383
Supplies	5,054	6,150	1,096
Maintenance and repairs	182	8,000	7,818
Total administrative	237,354	274,078	36,724
Total expenditures	1,854,667	1,943,219	88,552
Flood damage prevention	747,066	-	(747,066)
Cost of merchandise sold	10,841	22,000	11,159
Total disbursements	2,612,574	1,965,219	(647,355)
Excess of revenues over budgeted disbursements	\$ 1,188,717	\$ 41,719	\$ 1,146,998

See accompanying independent auditors' report

Glenwood Municipal Utilities
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2012

In accordance with the Code of Iowa, the Utility Board annually adopts a budget on the accrual basis following required public notice and hearing. The budget is subject to approval by the City of Glenwood. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budget was not amended during the year.

During the year ended June 30, 2012, disbursements exceeded the amended budgeted amount in the water fund.

**Glenwood Municipal Utilities
Other Supplementary Information**

Schedule 1

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Water
June 30, 2012

	COST			Balance 6/30/2012
	Balance 6/30/2011	Additions	Disposals	
Production Plant				
Land	\$ 45,648	\$ -	\$ -	\$ 45,648
Buildings	574,765	42,814	12,213	605,366
Machinery	1,217,411	57,493	28,063	1,246,841
Equipment	<u>135,539</u>	<u>-</u>	<u>-</u>	<u>135,539</u>
Total production plant	1,973,363	100,307	40,276	2,033,394
Distribution Plant				
Land	25,973	-	-	25,973
Buildings	1,444,406	-	-	1,444,406
Machinery	5,671,711	467,561	-	6,139,272
Equipment	<u>72,208</u>	<u>-</u>	<u>-</u>	<u>72,208</u>
Total distribution plant	7,214,298	467,561	-	7,681,859
Administration				
Equipment	<u>142,975</u>	<u>-</u>	<u>-</u>	<u>142,975</u>
Total	<u>\$ 9,330,636</u>	<u>\$ 567,868</u>	<u>\$ 40,276</u>	<u>\$ 9,858,228</u>

	ACCUMULATED DEPRECIATION			Balance 6/30/2012
	Balance 6/30/2011	Depreciation	Disposals	
Production Plant				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	488,204	21,616	12,213	497,607
Machinery	1,098,576	28,082	26,026	1,100,632
Equipment	<u>119,283</u>	<u>11,890</u>	<u>-</u>	<u>131,173</u>
Total production plant	1,706,063	61,588	38,239	1,729,412
Distribution Plant				
Land	-	-	-	-
Buildings	661,567	58,370	-	719,937
Machinery	3,222,706	168,173	-	3,390,879
Equipment	<u>63,499</u>	<u>4,345</u>	<u>-</u>	<u>67,844</u>
Total distribution plant	3,947,772	230,888	-	4,178,660
Administration				
Equipment	<u>105,473</u>	<u>7,421</u>	<u>-</u>	<u>112,894</u>
Total	<u>\$ 5,759,308</u>	<u>\$ 299,897</u>	<u>\$ 38,239</u>	<u>\$ 6,020,966</u>

Schedule 1 - Continued

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Sewer
June 30, 2012

	COST		
	Balance 6/30/2011	Additions	Balance 6/30/2012
Production Plant			
Buildings	\$ 5,423,923	\$ 4,809	\$ 5,428,732
Machinery	4,742,738	27,059	4,741,611
Equipment	289,087	-	289,087
Total production plant	10,455,748	31,868	10,459,430
Distribution Plant			
Buildings	757,167	111,317	868,484
Machinery	6,144,619	406,009	6,550,628
Equipment	184,613	-	184,613
Total distribution plant	7,086,399	517,326	7,603,725
Administration			
Equipment	49,213	-	49,213
Total	\$ 17,591,360	\$ 549,194	\$ 18,112,368

	ACCUMULATED DEPRECIATION		
	Balance 6/30/2011	Additions	Balance 6/30/2012
Production Plant			
Buildings	\$ 5,074,630	\$ 146,585	\$ 5,221,215
Machinery	3,931,394	159,431	4,076,351
Equipment	285,207	889	286,096
Total production plant	9,291,231	306,905	9,583,662
Distribution Plant			
Buildings	526,754	24,588	551,342
Machinery	4,097,150	118,014	4,215,164
Equipment	163,545	10,535	174,080
Total distribution plant	4,787,449	153,137	4,940,586
Administration			
Equipment	12,314	7,326	19,640
Total	\$ 14,090,994	\$ 467,368	\$ 14,543,888

See accompanying independent auditors' report

Schedule 2

Glenwood Municipal Utilities
Schedule of Water Expenses Per 1,000 Gallons of Water Finished
For the Years Ended June 30, 2012 and 2011

	2012	Per 1,000 Gallons	2011	Per 1,000 Gallons
Operating Expenses				
Salaries	179,196	0.71	207,637	0.85
Employee benefits	90,646	0.36	90,460	0.37
Contracted services	30,936	0.12	28,147	0.11
Utilities	71,669	0.28	74,091	0.30
Chemicals	45,729	0.18	94,730	0.39
Supplies	17,999	0.07	25,416	0.10
Computer expenses	5,278	0.02	262	0.00
Postage and freight	8,078	0.03	8,346	0.03
Insurance	19,814	0.08	24,228	0.10
Repairs and maintenance	71,079	0.28	83,998	0.34
Legal and accounting	7,109	0.03	3,192	0.01
Miscellaneous	6,556	0.03	2,432	0.01
Depreciation	299,897	1.19	306,459	1.25
Total operating expenses	<u>853,986</u>	<u>3.38</u>	<u>949,398</u>	<u>3.87</u>
Total Gallons Pumped	275,811,000	100.00%	264,527,000	100.00%
Total Gallons Finished	252,723,500	91.63%	245,443,500	92.79%
Total Gallons Finished	252,723,500	91.63%	245,443,500	92.79%
Total Gallons Billed and City Use	<u>214,742,734</u>	<u>77.86%</u>	<u>204,500,985</u>	<u>77.31%</u>
Gallons Unaccounted For	37,980,766	13.77%	40,942,515	15.48%

See accompanying independent auditors' report

Schedule 3

Glenwood Municipal Utilities
Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Billed
For the Years Ended June 30, 2012 and 2011

	2012	Per 1,000 Gallons	2011	Per 1,000 Gallons
Operating Expenses				
Salaries	\$ 222,355	1.56	\$ 224,805	1.66
Employee benefits	127,108	0.89	103,565	0.76
Contracted services	23,459	0.16	30,654	0.23
Utilities	73,231	0.51	86,190	0.64
Chemicals	2,853	0.02	3,045	0.02
Supplies	12,851	0.09	17,782	0.13
Computer expenses	4,686	0.03	262	0.00
Postage and freight	8,064	0.06	8,304	0.06
Insurance	21,642	0.15	24,816	0.18
Repairs and maintenance	23,747	0.17	62,418	0.46
Legal and accounting	7,109	0.05	2,837	0.02
Miscellaneous	6,208	0.04	2,891	0.02
Depreciation	467,368	3.29	486,913	3.60
Total operating expenses	<u>\$ 1,000,681</u>	<u>7.04</u>	<u>\$ 1,054,482</u>	<u>7.79</u>
Total Gallons				
Wastewater Billed	<u>142,208,693</u>		<u>135,426,318</u>	

See accompanying independent auditors' report

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Prepared in
Accordance with *Government Auditing Standards***



Diane McGrain, CPA
Jim Menard, CPA

June 17, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Prepared in Accordance with Government Auditing Standards

To the Members of the Board:

We have audited the accompanying financial statement of the governmental activities, the business type activities and each major fund of the Glenwood Municipal Utilities as of and for the year ended June 30, 2012, which collectively comprise the Utilities' basic financial statements listed in the table of contents, and have issued our report thereon dated June 17, 2013. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Glenwood Municipal Utilities is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Glenwood Municipal Utilities's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing and opinion on the effectiveness of Glenwood Municipal Utilities's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Glenwood Municipal Utilities's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

Continued...

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenwood Municipal Utilities's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings.


Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Glenwood Municipal Utilities's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Glenwood Municipal Utilities's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Glenwood Municipal Utilities, and other parties to whom the Glenwood Municipal Utilities may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Glenwood Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

SCHROER & ASSOCIATES, P.C.

A handwritten signature in cursive script that reads "Schroer and Associates, P.C.".

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2012**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Financial Reporting

Comment –Due to misclassifications and unreconciled accounts, we recorded numerous adjusting journal entries. Adjustments were subsequently made by the Utilities to properly report the amounts in the Utilities' financial statements.

Recommendation – The Utilities should implement procedures to insure all receipts and disbursements are properly classified and to reconcile accounts to detailed sub-ledgers.

Response – We will perform more formal monthly closing procedures to provide more accurate interim financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2012**

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget

Comment – Disbursements during the year ended June 30, 2012 exceeded the budgeted amounts in the water fund.

Recommendation – The budget should be amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Notice of the public hearing reflecting the budget amendment should be properly made.

Response – We will do this in the future.

Conclusion – Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No disbursements of Municipal Utilities' money for travel expenses of spouses of Municipal Utilities' officials or employees were noted.

II-D-12 Business Transactions – There were no business transactions between the Utility and Utility officials.

II-E-12 Bond Coverage - Surety bond coverage of Municipal Utilities' officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-12 Revenue Notes – There were no revenue notes outstanding in fiscal year 2012 or 2011.

II-H-12 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Municipal Utility's investment policy.

II-I-12 Statistical Information

<u>Description</u>	<u>Amount</u>
Water Customers served at June 30, 2012	2,275
Gallons of water pumped during the year ended June 30, 2012	275,811,000
Gallons of water sold during the year ended June 30, 2012	214,742,734